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Speeches

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Remarks prepared for delivery by Under Secretary of Agriculture Seeley Lodwick before Farmland Industry's Annual Grain Conference, Kansas City, Mo., Sept. 1, 1982

Our host, John Minor, has raised the question: Can we sell it, or do we give it away?

A good question and the answer is: We must sell it. We can sell it. And we are selling it.

The world market is an essential part of the grain business—almost as essential as the domestic market. And the world market is a commercial market-one we must sell and keep on selling. We cannot think of exports as a surplus disposal program.

We do include grain in the food aid program, of course, to meet food emergencies abroad, to help low-income countries, and in the process to develop new commercial markets. Of the 113 million tons of grain going into export this year, only about 5 million tons will be on concessional terms. Over 95 percent is sold on commmercial terms.

Agricultural exporting is big business and it will get bigger in the future. Just how big depends on the policies and actions of the federal government, but even more on actions of the private sector—to sell, service, finance, and transport.

U.S. agricultural exports are expected to reach around $40.5 billion in fiscal 1982. This is 8 percent less than last year because of lower prices for major farm commodities, despite an expected increase in export volume of 2 percent. This will bring the total volume to 165 million tons.

The slackening of exports in 1982 can be attributed to a number of factors. The economic recession is still dampening demand in our overseas markets. The strength of the dollar is limiting purchases by many foreign customers, even though prices of some commodities have slackened. And record U.S. and foreign crops, as well as large supplies of livestock products, also are having a restraining effect.

High carrying costs have encouraged the importer of grains and soybeans not to buy any farther ahead than he feels that he has to.

With carrying costs for grain at perhaps 10 cents a month per bushel and with interest rates high, overseas buyers have kept inventories at low levels and the pipelines less than full.

The strengthening of the dollar against other currencies has been a factor for some time. It is even more of a factor today than it was a few months or a year ago. It has cancelled out much of the price bargaining advantage that we normally would have with prices at such a low level here at home.

In the summer of 1980, the Japanese could buy wheat in this country at a U.S. export price of a slightly above 1,000 yen. In two years, the world price of wheat has fallen by about 75 cents. But in terms of yen, the price of wheat has fallen hardly at all. It is still above 1,000-yen a bushel.

Or look at corn. The price of corn, F.O.B. Gulf, has fallen by almost 30 percent in two years. But in terms of yen, the price is down 18 percent. So we don't get the full benefit of lower prices in selling corn to the Japanese Japanese—at a time when the Japanese economy is sluggish and demand there is slow.

Exchange rate changes have had an even more striking effect on our prices to some of the European countries.

In the last two years, the price of soybeans has fallen by about $1.85, Chicago cash price. But to a German or Italian importer, the price is higher in terms of his own currency.

Two years ago the German deutschmark was worth 57 cents, and for 13 marks a German importer could buy a bushel of soybeans, Chicago price. Today, the D-mark is worth 41 cents, and the German importer has to spend 13.7 marks for the same bushel of soybeans.

In Italy, the differential is even more dramatic. An Italian importer pays 23 percent more lira for U.S. soybeans than he paid two years ago. This despite a 25 percent decline in the U.S. dollar price.

Other factors, too, have increased competition from other exporting countries. We are still feeling the effects of the 1980 embargo against agricultural exports to the Soviet Union, of course. Although U.S. grain exports to the Soviets in this sixth year of long-term agreement are close to the highest levels recorded during the 1970s, our share of that market is down sharply to around one-third. We missed out on a period

of sharp growth in the Soviet market, and our competitors continue to benefit.

We have talked a great deal about grain acreage expansion in the traditional large producing countries at a time when we are undertaking to reduce acreage in this country. Much less attention has been paid to the increase in European exports to the Soviet Union, which is interesting, to say the least, in view of Europe's criticism of our grain trade with the Soviets.

The European Community has increased its agricultural exports to the Soviet Union dramatically in the last two years. In value, EC shipments to the Soviet Union just about tripled in one year—1980—the year of the U.S. embargo. And they have continued to grow.

EC shipments of grains and mixed feeds to the Soviet Union last year were on the order of 2-1/2 million tons, contributing to the Community's new position as a grain exporter. In 1981, the EC became a net exporter of grain for the first time. It is now the fourth largest exporter of wheat in the world.

As we look toward next year, we find some bright spots in the export outlook for grains.

The Soviet Union is likely to have its fourth consecutive poor grain harvest and may import large volumes of corn and wheat. China also is expected to import larger volumes of wheat.

U.S. coarse grain exports should benefit from smaller supplies in competing countries. But we will experience little or no growth in U.S. exports of soybeans and products because of a prospective record world soybean crop in 1982/83. Below normal growth in protein meal demand in many major consuming countries also will play a part in restraining foreign soybean sales.

The administration is pushing hard to expand exports through expanded market development activities and through efforts to lower trade barriers and eliminate unfair competition. President Reagan has reopened the door to full participation in the Soviet market and has spelled out his opposition to agricultural embargoes in clear and unmistakable terms. And he has authorized the use of expanded CCC export credit guarantees to help sales to foreign buyers.

We have sent abroad a number of high-level government-industry sales teams to meet with other governments and the trade in customer

countries. So far—we have had seven teams go to 23 countries with remarkable success in promoting the sale of U.S. grains and other commodities.

We also have improved our market development activities by giving the foreign market development cooperators a stronger role in planning and financing overseas promotions. We are also exploring new ways to use credit more advantageously.

But there are barriers to trade that your government is trying to eliminate or reduce so that the way will be open to send to overseas markets U.S.agricultural products in whatever quantity they can absorb. This is particularly true of the European Community.

Our objectives continue to be to the same; to reverse the European Community's policy of subsidizing agricultural exports in direct competition with U.S. farmers. And we want to forestall threatened new EC import restrictions against U.S. commodities for which we have zero-duty binding -- soybeans and products and nongrain feed ingredients.

Although the EC has used subsidies for many years to boost foreign sales of agricultural products, it is only in the past two years that the EC has become a net exporter of a number of products, competing directly with the United States by means of subsidies. In addition to becoming a net exporter of grain just last year, the Community has doubled its sugar exports in four years. And it is the second largest exporter of poultry and beef and veal—all as a result of export subsidies.

Some time ago, the EC Commission sought authority to negotiate a tariff quota on imports of corn gluten feed. The United States has repeatedly warned the EC that this duty is not negotiable. Later the Commission requested GATT consultations aimed at persuading the United States to voluntarily restrain corn gluten exports to the EC.

The United States holds to its position that the zero-duty binding on corn gluten feed is non-negotiable. We believe that it is the EC's high support prices and variable levy for grains that cause EC feed compounders to turn to corn gluten feeds and other less expensive ingredients, not the zero binding.

Over the years, the EC has made several attempts to tax vegetable fats and oils imports. The latest try came last fall when the EC

considered the tax as a means to support the Spanish olive oil sector following Spain's accession to the EC. The United States has protested the tax several times in the past and did so again last year.

Warned that implementation of a fats and oils tax would lead to an immediate U.S. counteraction, the EC Commission, in October 1981, postponed active consideration of the draft proposal. The question of the tax is bound to come up again in relation to accession negotiations with Spain.

We will continue to oppose EC attempts to restrict U.S. exports of soybeans and soybean products through the imposition of a tax on vegetable fats and oils or any other means because such actions would nullify the zero duty binding on soybeans. This is a concession for which the United States has paid in previous trade negotiations. It would also seriously damage U.S. oilseed and product exports to the EC, valued at $3.9 billion annually.

We now have five Section 301 actions against the EC, raised because the United States believes the EC is making unfair use of agricultural subsidies and illegal preferences. The products are wheat flour, sugar, pasta, canned fruits and raisins, and citrus. A poultry case is also in the works.

The wheat flour complaint charges that the EC used excessively high export subsidies that resulted in price undercutting in third country markets. A panel, requested by the United States last December, is reviewing the case. A final report is expected this month.

Meanwhile, we are still seeking greater liberalization of the Japanese market, and will continue to do so as long as the Japanese limit entry for U.S. agricultural products. A meeting is planned with the Japanese in October to renegotiate the import quotas on beef and citrus products. We hope we will have something encouraging to report in the near future.

May I close by reflecting briefly on a trip I have just completed to the People's Republic of China. China, by virtue of its size and the economic development there, is enormously impressive as a potential market for expanding quantities of U.S. farm products.

China imported 7.6 million tons of U.S. wheat in the 1981/82 marketing year and has the potential for rapid growth for this commodity. Corn imports from the United states are smaller at around

one million tons, but there is opportunity there, too, as the Chinese get underway their effort to expand production of animal products.

Our team, which included Winston Wilson, the president of U.S. Wheat Associates, and representatives of the U.S. Feed Grains Council and the American Soybean Association, formally opened three U.S. agricultural export promotion offices in Beijing.

These three associations are market development cooperators working with the Foreign Agricultural Service to promote their respective commodities. Their new offices in Beijing will work with the Chinese on mutually beneficial market development efforts in that country.

Each of these offices will be headed by U.S. technicians in their fields, and each will provide a link between Chinese importers and users of farm products with producers and marketers in the United States.

China has launched a program to increase the availability of food in that country, especially for urban areas. Wheat food products, primarily loaf breads, are to be made more widely available as a convenience for working families. This offers a chance for a substantial gain in per capita usage of wheat and, ultimately, a chance for U.S. wheat groups to sell more wheat to China.

U.S. Wheat Associates has built a model bakery in Beijing in cooperation with the Chinese Government and is currently building an instant noodle demonstration plant in Shanghai. Plans are also underway to build a modern flour mill jointly with the Ministry of Commerence in Beijing.

There is also a push to expand production of livestock products, especially pork, poultry meat and eggs. The U.S. Feed Grains Council and the American Soybean Association will be working with both livestock producer organizations and with the Ministry of Commerce to update mixed feed production.

While the import demand for feed grains and soybean meal imports initially will be somewhat slow, there is little doubt that over the next decade the Chinese market offers a real potential for sales of both commodities from the United States.

The feed grain and soybean cooperators have been distributing technical imformation on livestock production and have made

approaches to various Chinese groups to launch activities in the livestock production sector. A few demonstration activities have been undertaken. It is planned that the presence of the cooperator representatives will speed up the process.

There is a world of opportunity in the export trade for grain producers and marketing people in this country. The administration of President Reagan is committed to efforts to enlarge agricultural exports through aggressive marketing activities and through policies that seek an open, expanding trading world.

It is an exciting time to be involved in international trade. Farmland Industries and other cooperative organizations have an expanding role to play. I welcome the opportunity to work with you.

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Remarks prepared for delivery by Secretary of Agriculture John R. Block before a European Forum on Trilateral Issues Among Industrialized Nations, Alpbach, Austria, September 2, 1982

Agriculture As A Global System

I appreciate the opportunity to take part in this distinguished forum. There could not be a more timely or important subject for discussion in 1982 than relations between the so-called "Tripartrite" group of nations.

With our nations accounting for over half of the world's gross product, the manner in which we pursue our economic relations is important to ever other country in the world. It directly affects all aspects of economic policy within each of our own countries, including those having to do with agricultural production and trade.

One of the striking developements of the past ten years is the degree to which food and agricultural issues have moved onto the central agenda of national governments and their international organizations. I first observed this as a farmer. I see it even more plainly now as a member of President Reagan's cabinet.

A few years ago, the tendency was for each of our countries to view domestic agricultural policy as something which concerned only a

limited domestic sector. We did not closelu relate it to monetary or fiscal policy and certainly not to international policy. This has changed.

In my country, at least, it is clear that policy makers outside agriculture have come to recognize the importance of agriculture to monetary and fiscal policy. They have come to recognize that agricultural policy also impinges on our international relations and that, in turn, international politics affect our domestic agricultural policy. Too much so, we sometimes think.

A number of developments have brought this about, including:

— An enormous increase in the volume of international trade relative to nations' gross national products.

— The resulting growth in interdependency as nations became more dependent on access to reliable markets and reliable supplies and more sensitive to any threat of restraint.

— Enormous advances in our ability to communicate with each other and to transport people and products between countries.

— The emergence of a rapidly growing world market for processed products, now larger in international sales than the more traditional market for bulk products.

— The changing role of monetary echange rates and the effects of this development on international trade in farm products.

All in all, we have had to learn that international developments affect our agriculture. We have had to learn that we cannot pursue domestic agricultural policy as if the rest of the world does not exist. We have to recognize that our own agriculture is interdependent with the economics of other nations.

American Agriculture Is Part Of A Global System

The farmers of my country understand that principle quite well. It wasn't always so. Twenty yeats ago...even 10 years ago...we in agriculture had much less appreciation for the importance of international trade to the day-to-day business of American farming. Foreign markets were likely to be thought of as outlets for surplus commodities in time of U.S. overproduction. Or they were thought of in terms of world relief—to Europe at the end of World War II, for example, and to India during the drought years of the 1960's.

But then came the 1970's with the return of the Soviet Union to Western agricultural trade, the rapid growth of consumer demand around the world...the U.S. embargoes and partial embargoes in 1973, 1974 and 1975...the world food scare in 1974...and finally the U.S. embargo against shipments to the Soviets. That action, in the first week of 1980, capped off an extraordinary decade in agricultural trade, leaving many of us to think that now we had seen everything.

Events of the past decade in agricultural trade have made it clear to American farmers that they are indeed part of a global system. They know that foreign buyers now provide a market for 65 percent of their wheat production, 55 percent of their soybeans, 35 percent of their coarse grains and large percentages of other crops. They know that, in a real sense, the world begins at their front gate.

This understanding, I believe, is at the root of much of the frustration that American farmers feel with respect to the agricultures of other countries. They feel they are producing for the world, adjusting production upward when the world needs more and accepting the burden of lower prices and surplus management in time of world overproduction.

American farmers also feel that farmers in certain other major trading countries do not fully share these adjustment burdens and are not functioning as part of the world system. More important, they are concerned that this pattern may be growing—that the agricultures of other nations are trying to build and maintain walls that will make it increasingly unnecessary for them to function as a part of the world system.

This is not an occasion to find fault. Every nation has problems dealing with protectionist interests at home, especially in times of overproduction and underconsumption. History has shown un that the protectionism is likely to be more prominent and more destructive in periods of economic distress such as the world is now experiencing.

These protectionist pressures occur in the United States just as they do in other countries. For example, we are not pleased with how the domestic dairy programs created huge surpluses in our country, with attendant large budget outlays and restrictions on imports. The administration of President Reagan is making every effort to correct that situation, and it will be corrected.

But for the most part, American farmers see themselves, realistically I believe, as part of a global system, sharing the world's problems and adjusting to its needs.

In the early 1970's, when the world grian supplies fell off sharply in the face of crop shortfalls in a number of countries, U.S. agriculture was called on to take up most of the slack in world production. Between 1971 and 1975, annual U.S. grain exports rose from 44 million tons to 85 million tons. Meanwhile, an export tax in the European Community enabled the Community to keep its grain at home.

Now the situation is reversed. With world grain supplies at record highs, the EC's import levies permit the Community to continue producing at high levels and exporting at subsidized low prices. With the United States carrying out an acreage reduction program in an effort to hold down supplies, the EC has announced higher internal prices that can only encourage large production within Europe.

The immediate costs of these inequities to American agriculture are severe. We pay in lower farm prices and higher government budget outlays. But this concerns us less than does the prospect that European agriculture will withdraw further from the world system...isolating itself further within walls of border protection...denying the responsibility to share in world price and supply adjustments.

If this should occur, it would be a denial of the world leadership that Europe has shared with the United States in trade and economic advancement. It would be a tragedy if, at a time when nations are becoming more interdependent and their agricultural policies more integral to overall objectives, Europeans should find themselves pulled away from the world by agricultural isolationism.

We have seen that nations cannot afford to administer domestic agricultural policies as if other nations did not exist, as if agriculture were not a global system essential to a global economy. We are concerned about national policies that refuse to recognize the global system essential to a global nature of agriculture. We ask ourselves where the world will be in ten years if we fail now to address the points I have raised here.

The world cannot afford policies that foster agricultural isolationism. Realism calls for policies that treat agriculture as a global system.

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News Releases

1983 WHEAT PROGRAM SIGNUP RESCHEDULED

KNOXVILLE, IL, Aug. 27—Secretary of Agriculture John R. Block today said that because of legislation proposed by Congress in the Omnibus Reconciliation Act, he has rescheduled the signup period for the 1983 wheat program to begin Oct. 1 instead of Sept. 7. It will continue through March 31.

Spring and winter wheat producers must comply with the program provisions to be eligible for the wheat reserve program, loans and purchases and payments for the 1983 wheat crop. The 1983 wheat loan rate will be $3.65 per bushel. The target price will be $4.30 per bushel.

Instead of the 20 percent acreage reduction program announced by the USDA on July 14, the reconciliation legislation provides for a combination 15 percent acreage reduction and five percent paid land diversion. The land diversion payment is based on $2.70 per bushel times the farm yield times the acres diverted. Producers must limit the wheat acreage planted for harvest to no more than 80 percent of the farm's wheat base. They must also devote to conservation uses an acreage equal to both the acreage reduction and land diversion requirements.

Block noted that any changes in the program are contingent on President Reagan signing the reconciliation legislation.

Producers, at the time they sign up for the program, may request an advance of 50 percent of the diversion payment and of any projected deficiency payment. The projected deficiency payment rate will be announced before signup begins.

A producer accepting an advance payment, but who later does not comply with program provisions, must refund the amount of the advance payment with interest. Interest charged will be the rate in effect for commodity loans on the date of the advance payment, plus five percentage points.

The Omnibus Reconciliation Act requires the 1983 wheat acreage base to remain the same as the base established for the 1982 wheat crop.

Land designated for conservation use must have been devoted to row crops or small grains in two of the last three years. Land use for conservation use acreage in 1982 will be regarded as having been cropped in meeting this requirement.

There are two exceptions. The first is for a summer fallow farm for which the cropping requirement is for only one of the previous two years. The other exception is for crop land which met 1982 eligibility requirements for conservation use and was devoted to a permanent conservation practice. If the permanent conservation practice is maintained, such acreage will be eligible as conservation use acreage through the 1985 crop year. These conservation practices may be eligible for cost-share payment under the Agricultural Conservation Program.

Neither cross compliance nor offsetting compliance will apply to the 1983 wheat program.

Block also said he will announce the 1983 feed grains program in September with signup starting Oct. 1. Signup for 1983 upland cotton and rice programs will be announced later.

The 1983 wheat and feed grains crops will again be eligible for the farmer-owned grain reserve program. However, new rotation provisions will be effective with grain reserve agreements on the 1983 crop. The rotation provisions will be available only to replace, within 15 days, reserve grain that is going out of condition.

The replacement grain may be: (1) grain the producer has on hand, (2) grain which is purchased by the producer, or (3) grain which is from the producer's new crop.

Deficiency payments or 1982-crop wheat will be made to eligible producers as soon as practical after Oct. 1.

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SYMPOSIUM TO SEEK IMPROVED CONSERVATION OF FARM RESOURCES

WASHINGTON, Aug. 27—A symposium aimed at finding better ways to conserve resources on the nation's farms is scheduled for Dec. 5-9 at the National 4-H Center here.

"Farmers, agricultural scientists, agribusiness leaders and others concerned with natural resource management are invited to express their views at the symposium," said Peter C. Myers, chief of the U.S. Department of Agriculture's Soil Conservation Service.

Myers and Earl O. Heady of the Center for Agriculture and Rural Development, Iowa State University, Ames, will be the principal speakers at the event, which will be conducted by Iowa State as part of an agreement with the USDA agency.

Deadline for registration is Oct. 1.

Myers said his agency will use the recommendations of the work groups at the meeting to improve USDA conservation programs under the Soil and Water Resources Conservation Act of 1977.

Six objectives of the symposium are to:

1. Determine current technology and assess future propects in agricultural food and fiber production systems.

2. Determine how scientific agricultural technology can be blended with farm management practices.

3. Identify factors limiting the adoption of conservation practices.

4. Determine the present status and assess the future of adopting conservation practices into existing farm systems.

5. Assess the status and use of the soil and water resources available for agricultural production.

6. Evaluate other soil and water conservation issues identified by USDA and symposium participants.

Further information is available from the Center for Agriculture and Rural Development, Iowa State University, 578 East Hall, Ames, Iowa 50011. Telephone (515) 294-1183.

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SINDT NAMED DEPUTY MANAGER OF FEDERAL CROP INSURANCE CORPORATION

WASHINGTON, Aug. 30—Secretary of Agriculture John R. Block today announced the appointment of Robert H. Sindt as deputy manager of the U.S. Department of Agriculture's Federal Crop Insurance Corporation.

Sindt moves to the crop insurance agency from the USDA Office of General Counsel, where he served for the past year as executive assistant to General Counsel A. James Barnes.

This appointment, said Block, completes the crop insurance management team at the USDA.

Earlier this year, reponsibility for the agency was transferred to Under Secretary for Small Community and Rural Development Frank W. Naylor. At that time, Merritt W. Sprague was named manager of the agency.

Sindt was reared on a family farm in Franklin County, Neb. He holds degrees in agricultural economics from the University of Nebraska. He served as the agricultural aide to former U.S. Sen. Roman Hruska and was a counsel to the U.S. Senate Judiciary Committee.

Prior to joining USDA's Office of General Counsel, Sindt served as Buffalo county attorney in Kearney, Neb.

Congress created the Federal Crop Insurance Corporation in 1938 to develop and make available to farmers a sound system of crop insurance to protect against loss due to unforeseen and unavoidable natural hazards.

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USDA PROPOSES TO INCREASE RATES FOR MEAT AND POULTRY INSPECTION

WASHINGTON, Aug. 31—The U.S. Department of Agriculture is proposing to increase the overtime rate charged to meat and poultry plants from $18.12 to $19.40 per hour and the hourly costs for laboratory work from $27.28 to $31.00 per hour, beginning Oct. 1, to cover the higher costs of providing these services.

Also under the proposal, the basic hourly inspection rate for voluntary inspection and certification services would increase from $14.64 to $16.68, said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service. These are provided on a fee-for-service basis and cover certification that meat or poultry bought under contract meets certain specifications; it also covers rabbit inspection.

Under the Federal Meat and Poultry Inspection Acts, USDA must assume all inspection costs during routine working hours in plants producing meat and poultry products for interstate or foreign commerce. USDA, however, charges plants for all mandatory inspection services exceeding 8 hours per day or 40 hours per week, and for laboratory and certification services.

"Each year, the fees for inspection service are reviewed and a cost analysis is prepared to determine if they are adequate to recover Government costs," Houston said.

Comments on the proposal may be mailed until Sept. 28, to this office: Regulations Office, Attention. Annie Johnson, FSIS Hearing Clerk, Room 2637 South Agriculture Building, Food Safety and Inspection Service, U.S. Department of Agriculture, Washington, D.C. 20250.

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USDA PROPOSES $10,000 MINIMUM BOND FOR SMALL VOLUME LIVESTOCK BUYERS

WASHINGTON, Aug. 31—The U.S. Department of Agriculture has proposed a $10,000 minimum bond requirement for small volume livestock dealers and order buyers who are subject to the Packers and Stockyards Act.

Farmers and ranchers who purchase livestock for stocking or feeding purposes are not required to file a bond.

B.H. Jones, head of USDA's Packers and Stockyards Administration said USDA's proposal last February to eliminate the minimum bond for small volume dealers and order buyers drew strong opposition from the livestock industry.

"A great majority said more bonding was needed for the small volume operators, not less," Jones said. "As a result we now propose to require a $10,000 minimum bond for buyers doing less than $500,000 worth of business annually, rather than the present $5,OOO requirement."

Coupled with the new bonding proposal is another which would permit market agencies, dealers and packers to file an irrevocable letter of credit in lieu of a bond.

"We believe the letter of credit proviso will provide greater flexibility to persons who must file a bond and may reduce their costs of doing businss," Jones said.

Written comments on the proposal will be accepted until Oct. 25 by the Packers and Stockyards Administration, Rm. 3039-S, USDA, Washington, D.C. 20250. Comments will be available for public inspection.

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U.S.-CHINA GRAIN CONSULTATIONS INDICATE RECORD TRADE LIKELY

WASHINGTON, Aug. 31—U.S. grain shipments to China are likely to reach a record level in calendar 1982, according to Melvin E. Sims, general sales manager and associate administrator of the U.S. Department of Agriculture's Foreign Agriculture Service.

Sims made the statement following the Aug. 27 conclusion in Beijing of the second annual consultations under the four-year U.S.-China grains agreement.

"The United States officially advised the Chinese that for the calendar 1982 shipment year, the normal prior notice to the United States as required under the agreement will not be necessary should China want to purchase more than 9 million tons of wheat and corn," Sims said.

"Under the terms of the agreement," he said, "the Chinese each year will buy at least 6 million tons of wheat and corn, and must give prior notice before purchasing more than 9 million tons. The agreement calls for regular, annual consultations but provides for additional consultations whenever requested by either side."

As of Aug. 29, purchases of U.S. wheat and corn for shipment in calendar 1982 totaled about 8,463,000 tons, including 6,897,000 tons of wheat and 1,566,000 tons of corn, according to officials of the China National Cereals, Oilseeds and Foodstuffs Import and Export

Corporation (Ceroilfood Corp.). About 5,780,000 tons were shipped during January-July, including about 685,000 tons of corn and about 5,095,000 tons of wheat, almost entirely soft red winter.

For the second consecutive calendar year, China is likely to be the largest single overseas market for U.S. wheat, Sims said. Ceroilfood representatives indicated, however, that purchases in coming months for 1983 shipment likely would show an increased volume of U.S. corr

"In reviewing China's overall import program, including grains fron other origins, it appears that with commitments already in place, China's total imports may approach 16 million tons for calendar 1982," said Sims. He added that this was a sizeable increase over last year's level of less than 13 million. Port and handling facilities currently are strained by the heavy import pace. Further significant purchases for calendar 1982 shipment were therefore said to be unlikely.

The Chinese noted that because of increased emphasis on cash crops, their grain crop area has declined slightly, although yields are steadily increasing. They also reported that livestock product output is being encouraged, and that a 26.9 percent increase was registered between 1978 and 1981.

Sims headed the U.S. delegation for the first regular session of annual consultations. The leader of the Chinese delegation was Tong Zhiguang, deputy manager of Ceroilfood Corporation.

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USDA VETERINARIANS DIAGNOSE VESICULAR STOMATITIS IN SIX WESTERN STATES

WASHINGTON, Aug. 31—An outbreak of vesicular stomatitis—a viral disease with symptoms resembling foot-and-mouth disease—has resulted in U.S. Department of Agriculture veterinarians checking for the disease in more than than 1,000 animals and 12 humans in six western states.

Colorado, Wyoming, New Mexico, Utah, Arizona and Idaho are experiencing outbreaks of the disease, which causes blister-like lesions in cattle, horses, sheep, swine and other animals as well as humans,

John Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said.

"Our USDA veterinary service inspectors have been involved because vesicular stomatitis can not be clinically distinguished from foot-and-mouth disease, a devastating foreign disease that does not exist in the United States," Atwell said. "Therefore, we're investigating all reported cases to be sure that foot-and-mouth disease has not entered the country unrecognized."

The USDA veterinarians have checked 384 ranches and feedlots in the six states. They confirmed the disease in nearly 250 animals and two humans and more laboratory tests are still pending.

The current outbreak involves the New Jersey strain of vesicular stomatitis. The disease is ordinarily short-lived and not fatal to sick animals.

"The disease generally reoccurs within a region every 10 to 15 years," Atwell said. "It most often occurs in low-lying areas, marshes, swamps and areas with slow moving streams after periods of heavy rainfall and high humidity." These are ideal environments for high populations of mosquitoes and gnats that may spread the disease. The reservoir for the virus is not known."

Humans can be affected by the virus, especially those working cattle and horses in the epidemic areas, as well as laboratory workers. Human symptons include blisters on the lips, tongue and feet and flu-like signs of the respiratory tract. Humans are only mildly affected in the current outbreak.

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USDA SETS FISCAL 1983 SUGAR MARKET STABILIZATION PRICE AT 20.73 CENTS

WASHINGTON, Sept. 1—Deputy Secretary of Agriculture Richard E. Lyng today announced a market stabilization price for sugar of 20.73 cents per pound for fiscal 1983, up nearly one cent from the current level.

The market stabilization price, based on the domestic sugar price support level plus marketing factors, is used in calculating the special

import fees used to maintain the integrity of the sugar price support program. It represents the price at which USDA determines producers would be more likely to sell their sugar in the market place than to forfeit it to USDA's Commodity Credit Corporation.

The current market stabilization price, in effect since May 11 and due to expire Sept. 30, is 19.88 cents per pound, Lyng said.

The new market stabilization price reflects a price support loan rate of 17 cents per pound, transportation of 2.66 cents, interest costs of 0.87 cents and—to encourage producers to sell in the market—an incentive factor of 0.2 cents per pound.

In determining the market stabilization price, USDA considered comments received on the proposed rule for the domestic price support program, Lyng said. This rule was published in the July 29 Federal Register and comments were received through Aug. 25.

Based on the comments, USDA set the national average loan rate for fiscal 1983 at 17 cents per pound of raw sugar.

In addition, Lyng said interest will not be charged to loan recipients who forfeit sugar under loan to the Commodity Credit Corporation. He said this in consistent with USDA policy for other commodities.

Lyng said the 2.66-cents transportation figure represents actual 1981 data for shipping sugar from Hawaii to the Gulf and Atlantic ports, adjusted to 1983 by applying a projected increase in the producer price index for finished goods.

The interest cost factor is based on an interest rate projection of 10.25 percent and a six-month maturity period, Lyng said. That interest rate reflects the recent downward movement in interest rates nationally.

Lyng said the market stabilization price was established by presidential proclamation in conjunction with a proclamation imposing emergency import quotas to stem the flow of sugar from depressed overseas markets which threatened to damage U.S. sugar producers.

The actual domestic market price is compared with the market stabilization price to determine the necessary level of import fees authorized under Section 22 of the Agricultural Adjustment Act of 1933.

The current fees are 0.4193 cents for raw sugar and 1.4193 cents for refined sugar. Fees which become applicable Oct. 1 will be announced

by Sept. 25, based on the market stabilization price announced today, Lyng said.

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EASTERN AIRLINES, INC., PAYS $2,000 TO SETTLE ANIMAL WELFARE ACT CHARGE

WASHINGTON, Sept. 1—Eastern Arilines, Inc., of Miami, Fla., has paid a $2,000 penalty to settle a charge that the company violated the Animal Welfare Act, a U.S. Department of Agriculture veterinarian said today.

Dr. E.C. Sharman, veterinarian responsible for animal health and care programs for USDA's Animal and Plant Health Inspection Service, said the complaint against the airline was brought in connection with a dog shipped from Atlanta, Ga., to San Francisco, Calif., July 14, 1981.

Sharman said Eastern was charged with accepting a dog in a shipping crate that was too small for the animal to move about normally. Also, he said, there were no rims on the exterior to keep other crates from blocking the dog's air supply; no suitable litter; no labeling to indicate "live animal" or the crate's correct upright position. And, Sharman said, there were no feeding or watering instructions fastened to the outside of the crate.

The dog died in transit, with heat prostration the probable cause, Sharman said.

Sharman said Eastern accepted the fine without admitting or denying the alleged violations. The airline further agreed to comply fully with the regulations and standards in its future handling of live animals.

The Animal Welfare Act requires commercial carriers such as Eastern to meet federal standards for care if they accept live animals for transit. The standards include specifications for the crates in which animals are shipped.

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USDA EXTENDS TIME FOR TESTING HORSES IMPORTED FROM CANADA

WASHINGTON, Sept. 2—U.S. Department of Agriculture officials have extended from 60 to 180 days the official period during which horses about to be imported from Canada must be tested and found free of equine infectious anemia.

"Our adoption of the 180-day rule recognizes the low incidence of equine infectious anemia in Canada and that country's excellent control program," said John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service. "The relatively smaller horse population in Canada and the short season for biting insects that transmit the disease further reduce the danger of undetected infection in horses imported into the United States.

Alwell said 180 days is the time required by Canada for testing horses that are imported from the United States. Most state governments also require testing for the same period before interstate movements.

USDA proposed adopting the 180-day rule in March. All comments received supported the action.

Equine infectious anemia is a viral disease of horses that is transmitted by bloodsucking insects or by unsterilized contaminated surgical instruments. Both Canada and the United States require that infected horses be destroyed or permanently quarantined.

This action is scheduled to be published in the Sept. 2 Federal Register.

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CHANNEL ISLANDS REGAIN FOOT-AND-MOUTH DISEASE-FREE STATUS

WASHINGTON, Sept. 2—The Channel Islands, located in the English Channel off the coast of France and governed by Great Britain, are again eligible to ship ruminants, swine and the meats of those animals to the United States, according to a U.S. Department of Agriculture official.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said USDA again lists the Channel Islands as free of foot-and-mouth disease.

"When foot-and-mouth disease occured on the Isle of Jersey in March 1981, we had to prohibit imports of any susceptible animals or their fresh, chilled or frozen meats," Atwell said. "However, we're satisfied that animal health officials of the Channel Islands have eradicated the disease."

Atwell said USDA regulations will continue to impose certain restrictions on imports of fresh, chilled or frozen meats from the Channel Islands and Great Britain, since their domestic meat supply is supplemented by imports from other countries where foot-and-mouth disease is known to exist.

Animal health officials would have to certify that shipments to the United States come only from USDA-approved plants that produce meats solely from Great Britain or the Channel Islands.

Notice of this action is scheduled to be published in the Sept. 1 Federal Register. Public comments may be submitted until Nov. 1 to the deputy administrator for veterinary services, APHIS, USDA, Federal Building, 6505 Belcrest Rd., Hyattsville, Md. 20782.

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MORE CALIFORNIA COUNTIES RELEASED FROM MEDFLY REGULATIONS

WASHINGTON, Sept. 2—U.S. Department of Agriculture officials have released two more California counties—Santa Clara and San Mateo—from Mediterranean fruit fly regulations.

Only a small portion of San Joaquin County near Stockton remains under regulation, said Harvey L. Ford, deputy administrator of USDA's Animal and Plant Health Inspection Service.

"We're hoping to be able to lift all the regulations later this month," Ford said. "The regulations, which govern movement of Medfly hosts, are designed to prevent spread to uninfested areas.

"When regulations are lifted," Ford said, "it means we're confident no more more Medflies are in the area.

"It's especially gratifying to be able to lift restrictions from Santa Clara County since that was where the infestation apparently originated and the regulations to combat it were first imposed."

Notice of this action is scheduled to be published in the Sept. 3 Federal Register. Public comments may be sent to Thomas Lanier, Regulatory Services Staff, Plant Protection and Quarantine, APHIS, USDA, Rm. 643 Federal Bldg., 6505 Belcrest Rd., Hyattsville, Md., 20782.

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